



HEMISPHERE HIGHLIGHTS

Center for Strategic & International Studies ■ Washington, D.C.

Volume VI ■ Issue 1 ■ January 2007

Upcoming Events

- Feb 09 Mexico's 60th Congress: What Can One Expect?
- Feb 23 Mexico's Political Party System Realignment & Its Implications
- Mar 16 Natural Gas, Energy Policy, and Regional Development Conference

Headlines

Chávez celebrates his third inauguration. Mexico's PRI to elect new party president and secretary-general. Canadian Liberal Party elects new leader. Colombia's near-term assessment. Dominican Republic-Taiwan free-trade negotiations will press forward in 2007. Confrontation and mixed political signals in Bolivia. Calderón administration extradites drug traffickers to the United States. Correa's push for a constitutional assembly is complicated by electoral court ruling. January's political climate in Argentina. Calderón acts on rising tortilla prices. New head of Bolivia's YFPB signals leftist shift.

North America

Canada

On December 2, 2006, almost a year after the resignation of outgoing prime minister and party leader Paul Martin, the Canadian Liberal Party elected its new leader: Stéphane Dion. The outcome of the liberal convention surprised many who had been predicting a victory by Michael Ignatieff, academic and newly elected member of Parliament, or by Bob Rae, former Ontario premier (New Democratic Party). Dion, a staunch federalist, was recruited by former prime minister Jean Chrétien in the wake of the 1995 referendum on Quebec independence. He held the post of minister for intergovernmental affairs from 1997 to 2003 and was named environment minister under Martin after the Liberals won a minority government in the June 2004 election. It therefore comes as no surprise that Dion, a strong supporter of the Kyoto accords, has made the environment his top priority. Shortly after his victory, the new opposition leader gave prominent roles in his shadow cabinet to former leadership rivals; Ignatieff was made deputy party leader and Rae was put in charge of the election platform. *The new Liberal leadership puts pressure on Stephen Harper's minority government, which has so far benefited from an opposition without an elected leader. A new Canadian poll suggests, however, that all parties should be cautious in forcing an election, as the outcome at this stage would likely be another minority government. According to a January 17 survey, 35 percent of Canadians would vote Liberal compared with 31 percent who would opt for the Conservatives. The drop in the Tory preference has been attributed largely to the party's performance in the province of Quebec, where only 15 percent of voters said they support the Conservatives, down from 25 percent on election day, when the party won 10 seats. Although Dion has said he does not yet wish to force an election, some analysts are predicting that Canadians could be returning to the polls after the upcoming federal budget, which will be presented within the next few months.* Tanya Primiani

Recent Events

- Jan 31 Roundtable Discussion with the Honorable Ambassador Edmond Mulet, United Nations Mission to Haiti
- Jan 30 Environmental Impact of Border Security Measures on the U.S.-Mexico Border Region
- Jan 23 Presentation by the Honorable Thomas A. Shannon Jr., Assistant Secretary of State for Western Hemisphere Affairs

Caribbean

Dominican Republic

Dominican Republic (DR)–Taiwan free trade agreement (FTA) negotiations will press forward in 2007. The second of six rounds of DR-Taiwan FTA negotiations will take place in the second week of March in Taipei, after a successful first-round discussion on market access, services and investment, technical cooperation, and legal proceedings this past October in Santo Domingo. Subsequent rounds are slated for July and October of this year. The proposed DR-Taiwan free trade agreement is expected to produce significant tariff reductions in some commodities but is still likely to maintain tariffs on Dominican farm products and steel—key components of the \$6 billion Dominican export industry. The price of sugar and the rates for products such as rum and bananas, already discussed in the first round of negotiations, will remain important terms to be determined in future rounds. A free trade agreement between the islands should help to augment the nearly \$200 million in bilateral commerce reached in 2005 (with Taiwanese exports to the Dominican Republic accounting for an estimated 90 percent of the value) and to correct the negative trade balance. The United States is the destination for 75 percent of Dominican exports, while China remains the largest market for Taiwan, accounting for 22 percent of its \$217 billion export industry. The Dominican Republic will seek to improve its competitiveness through greater Taiwanese investments in information technology and tourism and will look to expand on its touted 33 percent growth in exports and nearly 10 percent growth in its GDP in 2006. *The proposed DR-Taiwan FTA negotiations are in line with aggressive Taiwanese courtship of Latin American countries. In the past three years, Taiwan has signed FTA agreements with Panama, Guatemala, and Nicaragua (its only free trade agreements to date) and has maintained talks with El Salvador, Honduras, and Costa Rica. President Chen Shui-bian last year pledged \$50 million over four years for the construction of a cybernetic park in Santo Domingo and has visited the Dominican Republic three times since his election in 2000. The Taiwanese government also announced, last year, plans for a \$250 million fund, “Co-prosperity,” to encourage Taiwanese investment in Latin America and the Caribbean, as 12 of the 25 countries that recognize Taiwan are in those regions. For the Dominican Republic, FTA negotiations with Taiwan come at a propitious time, when there is stalled progress in gaining the tariff reductions that were expected after joining the Caribbean Community (CARICOM) as well as delays in the final phase of implementation of the Central America Free Trade Agreement (CAFTA). For Dominican president Leonel Fernández, the signing and implementation of another free trade agreement before the 2008 presidential elections could favorably position his reelection campaign and soften the impact of the likely slowdown of the economy in 2007–2008.* Danilo Antonio Contreras

Mexico

On January 20, 2007, the Calderón administration extradited 15 drug traffickers to the United States as part of a broader effort to combat organized crime. The individuals were sought in the United States on various criminal charges, including drug trafficking, racketeering, money laundering, human trafficking, kidnapping, murder, and sexual assault. Of the 15 criminals, the following 8 were indicted in various U.S. states for conspiring to import, possess, or distribute marijuana and/or cocaine: Osiel Cárdenas Guillén, brothers Ismael “El Mayel” and Gilberto “El Gilillo” Higuera Guerrero, Héctor “El Guero” Palma Salazar, Gilberto Salinas Doria, José Alberto Márquez, Miguel Angel Arriola Márquez, and Saúl Saucedo Chaidés. These extraditions came on the heels of the sizeable joint deployment of federal preventive police and military forces to the cities of Michoacán, Tijuana, and Acapulco, where a spike in cartel violence has spurred mounting political pressure on the government. *These extraditions are distinct from previous extraditions because of the high rank of four of the capos who were extradited—most notably, Cárdenas, who ran the Gulf cartel; the Higuera Guerrero brothers, who are mem-*

bers of the Tijuana/Arellano-Félix cartel; and Palma Salazar, who is from the Sinaloa/Chapo Guzmán cartel. Suggestions from Mexican press reports that the extraditions are the direct result of U.S. pressure, following the January 11, 2007, visit by U.S. attorney general Alberto Gonzalez to Mexico, are largely baseless. The extraditions fall under the U.S.-Mexico Extradition Treaty that went into effect in 1980. From the year 2000 until 2006, Mexico has extradited 222 individuals to the United States (including nationals from third countries), while the United States has extradited 120 individuals to Mexico. Since assuming office almost two months ago, the Calderón administration has undertaken a series of decisive measures to combat organized crime in Mexico, and the extraditions are part of his government's overall strategy—underscored by the extradition of a total of 17 individuals thus far in 2007. In recent years, Mexico has had to contend with the mounting problems associated with a dramatic increase in domestic drug consumption as well as the disturbing escalation of narco-violence. The extraditions underscore President Calderón's commitment to respond to the call by the Mexican people for greater security. In the weeks and months ahead, these capos may try to bring down others with them as they plead for reduced sentences. There are also risks posed by possible cartel reprisals against the government, and there are the possibilities of increased intracartel violence as lieutenants compete for succession and increased intercartel violence as they vie for turf/market openings created by the extraditions. An important factor will be how the U.S. government responds to President Calderón's bold efforts in underscoring its own shared commitment to combating drug trafficking. **Armand Peschard-Sverdrup**

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Following a surge in tortilla prices, President Felipe Calderón of Mexico invoked price controls, increased corn imports, and began investigating the role monopolistic practices may have played. In recent weeks, the price of tortillas, a staple in the Mexican diet, has risen parallel to the price of corn by approximately 60 percent. A kilogram (2.2 pounds) of tortillas now costs anywhere from 10 pesos (U.S.\$0.93) in some parts of the country to as much as 30 pesos (U.S.\$2.75) in the northern state of Durango. In a country where the minimum wage is \$4.60 per day, the rising tortilla prices are significantly impacting the lower socioeconomic segments of the Mexican population who rely on the tortilla as their primary source of calories. President Calderón was quick to address his administration's first political crisis by announcing on January 11 that he would take action to lower the cost of corn; and on the following day, Secretary of the Economy Eduardo Sojo authorized the duty-free importation of 650,000 metric tons of corn. During a January 18 ceremony at Los Pinos, Calderón outlined a 13-point agreement aimed at curbing rising tortilla costs, which he signed with tortilla producers—including major supermarkets, over 5,000 local independent tortillerias, and Gruma SA, the world's largest tortilla producer. The accord, which will be up for review and possible extension on April 30, includes duty-free imports of an additional 750,000 tons of corn to be used for human consumption and an additional 2.85 million tons of corn for animal consumption, to ensure supply for the chicken, pork, and beef industries. Additionally, under the agreement, price controls set the maximum price of corn tortillas at 8.5 pesos (U.S.\$0.78) per kilogram and guarantee that Disconsa, a state-run supply company, will sell corn flour at 5 pesos (U.S.\$0.46) per kilogram and corn at 3.5 pesos (U.S.\$0.32) per kilogram. To meet domestic demand, Mexico historically imports between 2 million and 10 million tons of corn annually, primarily from the United States, where the demand for corn, a necessary component in ethanol production, is soaring. Mexicans consume mostly white cornmeal, however, and the primary input in ethanol is yellow corn. Increases in international demand for corn only partially accounts for rising prices. President Calderón, along with commodity market experts, also attributes the soaring prices in Mexico to monopolistic practices, price speculation by middlemen, and domestic hoarding. Earlier in the month, the Calderón administration ordered the Federal Competition Commission (CFC), Mexico's antitrust watchdog, to investigate anticompetitive measures taken by the country's largest corn and tortilla companies. Violators could face fines as high as U.S.\$6.4 million and/or 3- to 10-year prison sentences. Since 2004, the CFC in six cases has applied sanctions against anticompetitive practices in the corn and tortilla markets. *Just months into his presidency, the right-of-*

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center Calderón is facing an issue that wedges him between big business and the poor. By deviating from the free-market practices he embraces and instituting price controls, President Calderón is enforcing practices reminiscent of the past, when government subsidies and controls kept basic food goods at affordable prices. Given his narrow victory over the leftist Andrés Manuel López Obrador in last year's presidential election, however, Calderón must make a clear political statement that the interests of the Mexican poor are a priority. Opposition Democratic Revolution Party (PRD) legislators argue that he is still not doing enough to protect the poor and call for him to expand protection to other basic food products and to extend the price controls past the initial April 30 deadline. The emergence of this politically sensitive issue is drawing greater attention to the impact of monopolies on the Mexican economy in general. Although the Calderón administration is taking steps to address the role monopolistic practices have played in the recent rise of tortilla prices, it remains to be seen if President Calderón will make it a priority to tackle monopolies in other sectors of the economy—a necessary undertaking in order for Mexico to be truly competitive in the global economy. Kristin W. Wedding

“In electing its new leadership, the PRI will have the daunting task of selecting a ticket that can both revitalize the party—so that it may be positioned to regain the presidency—as well as transform the party—a transformation being called for by a large segment of the electorate.”

Mexico's Institutional Revolutionary Party (PRI) is to elect a new party president and secretary-general on February 18, 2007. January 18, 2007, was the registration deadline for all those interested in seeking the nomination for president and secretary-general of the PRI for the 2007–2011 four-year term. On January 19, 2007, the party's National Committee for Internal Processes, presided over by Rafael Rodríguez Barrera, ruled that only five tickets complied with the party's own governing statutes. Competing for president and secretary-general of the party, respectively, are the following: 1) Enrique Jackson (62 yrs. old) and Sara Latife Ruiz Chávez (30 yrs. old); 2) Beatriz Paredes (53 yrs. old) and Jesús Murillo Karam (59 yrs. old); 3) Javier Oliva Posadas (47 yrs. old) and Lucía Montes Vásquez (32 yrs. old); 4) Alejandro Gárate Uruchurtu (54 yrs. old) and Amelia Olguin Vargas (58 yrs. old); and 5) Sergio Martínez-Chavarria Galindo (45 yrs. old) and Artemisa Lara Orozco (54 yrs. old). The candidates must conclude campaigning by February 17. Campaign spending is limited to 2 percent of the total amount authorized by Mexico's Federal Electoral Institute (IFE) for the previous presidential election, which ends up amounting to about U.S.\$1.3 million. Each ticket is required to submit a campaign spending report every 10 days during the monthlong election process, so that the campaign finance guidelines may be enforced. On February 18, 2007, the party's National Political Council along with the party's Political Councils from all 31 states plus Mexico City, comprising a total of about 17,500 voters, will cast their votes to elect the PRI's next president and secretary-general. *In electing its new leadership, the PRI will have the daunting task of selecting a ticket that can both revitalize the party—so that it may be positioned to regain the presidency—as well as transform the party—a transformation being called for by a large segment of the electorate. Considerable weight is apparently given to the candidates' potential for repositioning the party in Mexico's new environment of political competition. The party's own leadership election guidelines have also attempted to assist in this process by requiring that the tickets be gender-balanced and “encouraging” one of the candidates on each of the tickets to represent younger voters so as to help forge the party's much-needed generational change. The guidelines also call for civility, in an attempt to avert further divisiveness and foster party unity. It remains to be seen whether the PRI can succeed in this transformation, or whether it's guidelines are mere window dressing. The two leading tickets are those headed by former senator Enrique Jackson and former congresswoman Beatriz Paredes, while Oliva is attempting to provide priistas with a third option. Jackson attempted to bridge the generational divide by selecting the youthful Latife as a running mate, while Paredes opted for a seasoned PRI warhorse in Murillo Karam. Meanwhile, Oliva is busily promoting himself as the real agent of change. The stakes are extremely high for the PRI, particularly following their disappointing results in the 2006 federal elections. The new leadership will be responsible not only for guiding the PRI through the 2009 midterm elections, which will in part determine how well-positioned the PRI will be, going into the 2012 presidential election, but also for helping construct (along with the PRI's governors, the Chamber and Senate leaderships, and the National Political Council) the much-needed consensus behind many of the legislative initiatives that the country needs. Armand Peschard-Sverdrup*

South America

Venezuela

President Hugo Chávez of Venezuela celebrated his third inauguration on January 10 by announcing plans to nationalize the telecommunications and utility sectors and to seek an enabling law to permit him to rule by decree for 18 months, as well as by introducing a major cabinet reshuffle with 12 new ministers and a new vice president. *Chávez does not need the enabling law, which was approved by the rubber-stamp national assembly in late January, because he can get any proposal he wants passed. Rather, this law is being implemented to ensure future control of Congress in the event that an opposition revival leaves him with a less compliant legislature. It is still unclear just how or when shareholders of CANTV, the country's leading telecommunications firm with 28.5 percent ownership by Verizon, or Electricidad de Caracas, controlled by U.S. power company AES, will be compensated, but it will not be at market price. In the face of Chávez's bid to assert further control over the heavy-oil industry, the international oil companies will undoubtedly think twice before seeking further opportunities in Venezuela, but they cannot walk away from the billions of dollars they have already sunk into what could be one of the world's richest oil fields. Chávez's appointment of younger and more radical politicians completely loyal to chavismo to replace older, more moderate figures will allow him to exert even greater control over internal party politics and to ensure that he will not encounter any opposition as he expands his revolution within the country and externally. His ambitious plans were announced in the face of a challenging economic environment of decreasing oil prices, increased Saudi production, and mismanagement and underinvestment on the part of Venezuelan state-owned petroleum company PDVSA. Faced with budget shortfalls in the next few years and inflation that threatens to grow out of control, Chávez seems determined to target businesses and the upper class to increase his revenue base.* **Lowell Fleischer**

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"Enabling law" gives President Hugo Chávez decree powers. On January 31, the Venezuelan National Assembly approved legislation (a *ley habilitante*) providing President Chávez with the authority to "order decrees...with the range, value, and force of law," during an 18-month period. This legislation was called for by Chávez in the wake of his reelection to another six-year term as president in December 2006. It is the third time he has benefited from a *ley habilitante*. The first took place in 1999 under the terms of the old 1961 constitution, was limited to very specific economic issues, and was only six months in duration. The second came under the terms of the new constitution of 1999, was broader in scope and duration (one year), but was still limited to specific topics in the economic, social, and security areas. This new law provides an extraordinarily broad area in which Chávez can emit decrees—everything from changing the organization of the state to security and defense, economic issues and hydrocarbons, and science and technology. *Although Chávez totally controls the Legislative Assembly, this new law allows him to circumvent the legislative mechanism in ruling by decree. The preambular language of the law makes it clear that its intention is to provide Chávez with the authority he needs to make structural change in virtually any area he wishes. He himself claims that the new ley habilitante will be the "mother of revolutionary laws" in reshaping Venezuela according to his vision. Vice President Jorge Rodríguez was quoted as follows in his January 31 speech marking the approval of the law: "We want the dictatorship of democracy to be established forever...we will watch over this law [habilitante] with profound revolutionary zeal."* **Peter DeShazo**

The panorama for provincial elections to take place during 2007 is in flux.

Argentina

With Congress in recess, most courts adjourned, and politicians in summer resorts, apathy characterizes January's political climate in Argentina. Politicians are interviewed at the beach by journalists desperate for news. Hints and ambiguous statements are all they get. Even Roberto Lavagna's admission that he would run for president took place during an inconspicuous meeting with the columnists of two newspapers instead of with the full-scale launch one would have expected. The panorama for provincial elections to take place during 2007 is in flux. An attractive candidate like Vice President Daniel Scioli should not have much difficulty in carrying the province of Buenos Aires, traditionally a Peronist stronghold. But January witnessed steps toward an opposition led by Juan Carlos Blumberg, a businessman whose son was kidnapped and murdered. While Blumberg is successful in organizing rallies advocating reforms to criminal and procedural legislation, it remains to be seen if such social support can be turned into votes for his candidacy. In the traditionally anti-Peronist city of Buenos Aires, the government's candidate is Education Minister Daniel Filmus. An impressive figure in certain academic circles, his appeal as a political candidate is an enigma. But the opposition is divided among several nominees. Santa Fe is bound for a victory by Socialist Hermes Binner. He does not back President Néstor Kirchner, but it is not yet clear who will profit at the national level from his triumph. Córdoba is in the midst of a confrontation between the governor and the mayor of the capital city. But both are expected to support Kirchner's ticket. Finally, the fifth- largest district, Mendoza, should vote against a *kirchnerista* formula if one candidate manages to unite Radicals and Conservatives with that aim. President Kirchner, however, in a move that may allow him to carry the province, has indicated that he will ask incumbent Radical governor, Julio Cobos, to be the vice presidential candidate in the ticket led by himself or his wife. *The political scenario in Argentina's five most populous districts, which hold the key to success in the October presidential election, remains unclear.* Carlos Regúnaga

In addition to battles with the Congress, where he has little backing, he faces considerable international pressure over the possibility of a debt default.

Ecuador

Newly inaugurated Ecuadorian president Rafael Correa's push for a constitutional assembly to rewrite the country's constitution has been complicated by a decision of the electoral court to send the matter to Congress for consideration, rather than putting the question to a referendum as the president wanted. Earlier in January, Correa issued a decree calling for a March 18 vote on convening an assembly that he says is necessary to limit the powers of Ecuador's traditional parties, which he blames for the country's problems. *Correa, a U.S.-educated economist who won the November presidential elections by a wide margin, is off to a rocky start. In addition to battles with the Congress, where he has little backing, he faces considerable international pressure over the possibility of a debt default. During his inaugural address, Correa said that most of Ecuador's \$11 billion foreign debt was "illegal," because it was contracted by military dictatorships years ago. Later, Economy Minister Ricardo Patiño told a group of investors that the government might repay only 40 percent of the debt in order to free up funds for health care and education. Wall Street rating agencies have since cut Ecuador's credit rating. The economy grew by 4.7 percent in 2006 after a 3.9 percent increase in 2005. Despite the 2006 budget surplus and the country's ability to pay, it seems that Correa holds an ideological view of foreign debt and is determined to pay out less interest. Ecuador last defaulted on its foreign debt in 1999 in the middle of a recession. The government's intentions may become clearer soon, as it has an interest payment to make on some bonds on February 15.* Lowell Fleischer

Colombia

As 2007 begins, there are strikingly different assessments of Colombia's near term. Viewed from the inside, the country seems headed in a positive direction. The economy should show a fourth year of healthy growth, perhaps exceeding 6 percent for all of 2007, as it did in the final quarter of 2006. Although urban unemployment remains stuck at 12.5 percent, both domestic and foreign investment are showing good growth. A key reason for this is that the security picture continues to improve, shrinking the risk premiums that have burdened the economy in recent years. With Colombians facing improved economic prospects and an improved sense of personal security, it should be no surprise that President Alvaro Uribe enters the year with very high approval ratings (in excess of 70 percent). But viewed from abroad, Uribe's popularity is seen as surprising. Some foreign observers assume that his government is in trouble, because many of Uribe's supporters, especially those in the country's north-coast departments, are being accused of having ties to paramilitary criminal organizations. Moreover, a basic tenet of Uribe's security policy, drug control, is not showing the positive results predicted. These troubles, according to this view, put in doubt the eventual passage of a free trade agreement by the new Democratic majority in the U.S. Congress. *A key difference in these points of view is that a majority of Colombians continue to have faith in Uribe and, despite their country's poor record in dealing with rural violence and government corruption, are willing to see their reformed judicial institutions attempt to handle the current scandals. The debate on corruption and the influence of violent groups will grow particularly sharp in coming months as campaigns get under way for the October elections of local governors and mayors.* Phillip McLean

With Colombians facing improved economic prospects and an improved sense of personal security, it should be no surprise that President Alvaro Uribe enters the year with very high approval ratings.

Bolivia

New head of state hydrocarbons corporation signals leftist shift. On January 29, Manuel Morales Olivera, a loyalist of the Movement toward Socialism (MAS) party, was named president of Bolivia's state hydrocarbons corporation, Yacimientos Petroliferos Fiscales Bolivianos (YPFB), to replace Juan Carlos Ortiz, who had submitted his resignation under pressure three days earlier. Morales Olivera is a member of an inner-circle MAS family. His father is rector of UMSA, the state university in La Paz, and his sister was recently named by President Evo Morales as director of Bolivia's Customs Service. But the new YPFB president's professional experience in the hydrocarbons area is limited to a brief stint as an adviser to the presidency of YPFB during 2006, which ended in a resignation in December amidst an accusation of influence peddling brought forward by an opposition congressman, who was in turn counteraccused of defamation by Morales Olivera. *Morales Olivera is YPFB's third president in a year. The change, made by President Morales, indicates a shift toward a more statist vision for YPFB. Ortiz was named to take over YPFB in August 2006, with the 180-day time frame established by the May 1 nationalization decree for reaching an agreement with natural gas producers on new contracts down to the last 60 days without any progress. The nomination of Ortiz and the replacement of hard-line hydrocarbons minister Andrés Solís was seen as a moderate turn—one that paid off when Ortiz reached a last-minute agreement with foreign gas producers on new contracts, avoiding a likely showdown. Local media reported that Ortiz was forced to present his resignation because his preference for YPFB's future—termed by Ortiz himself "a business vision"—that contemplated the state corporation as a holding company, clashed with an outlook for YPFB within the Morales government that is more statist and nationalist. Morales Olivera is faced with the difficult task of reconstituting YPFB and taking back control over the entities (Chaco, Andina, and Transredes) formed when YPFB was "capitalized" (privatized) during the government of former president Gonzalo Sánchez de Lozada. The replacement of a hydrocarbons professional with a political insider points to the likelihood of a less flexible YPFB in its relations with the companies.* Peter DeShazo

Morales Olivera is YPFB's third president in a year. The change, made by President Morales, indicates a shift toward a more statist vision for YPFB.

Events in Cochabamba pitted progovernment elements against a perceived opponent far from the opposition's power base in the tropical lowlands. Organized street protests of the kind that triggered the downfall of former presidents Gonzalo Sánchez de Lozada and Carlos Mesa Gisbert....

Confrontation and mixed political signals in Bolivia. Political tension between the government and opposition in Bolivia boiled over into confrontation during the month of January. The long-festering issue of regional autonomy, played out in a power struggle between the Morales administration and its political opponents at the head of the departmental governments of Santa Cruz, the Beni, Pando, Tarija, La Paz, and Cochabamba, came to a head in this last regional capital between January 4 and 16, leaving in its wake 2 people dead and more than 100 wounded. Months earlier, the Morales administration had proposed legislation allowing a single chamber of the national legislature to censure and remove elected *prefectos* (governors of the regional *departamentos*) by a simple majority vote—with pro-Morales parties in control of the Chamber of Deputies. This idea was virulently rejected by the opposition, who in turn called for still greater regional autonomy. On January 4, local labor organizations linked to Evo Morales's Movement toward Socialism (MAS) party convoked an open *cabildo* in Cochabamba to reject calls for greater autonomy and demanded the resignation of Manfred Reyes Villa, the prefect of Cochabamba and a critic of the government. With the encouragement of the Morales administration, *cocaleros* from the Chapare region joined the protests, which turned violent when a crowd tried to burn down the city hall. The progovernment protestors clashed with police and eventually with a large counterdemonstration of Cochabamba citizens, finally causing the government to send military police to reinforce local cops who had lost control of the situation. On January 16, the Morales administration issued a statement underscoring the legal authority of Reyes Villa and the protests ceased. Although the confrontation and violence in Cochabamba had monopolized public attention throughout Bolivia and threatened to spill over into La Paz, where a similar effort by forces allied with the Morales government threatened to move against the *prefecto*, José Luis Paredes, also a government critic, Morales did not mention the matter in his marathon (four-and-a-half-hour) speech marking his first year in office on January 22. The violence generated strong public criticism of Morales's government, even by some high-ranking MAS leaders in the Senate (who refrained from criticizing the president himself). In subsequent days, Morales replaced seven members of his cabinet, a move interpreted by the media as a strengthening of leftist influence in his government. On January 24, the opposition united to win the presidency of the Senate, conforming a 15-vote bloc against the MAS's 12 votes. *Events in Cochabamba pitted progovernment elements against a perceived opponent far from the opposition's power base in the tropical lowlands. Organized street protests of the kind that triggered the downfall of former presidents Gonzalo Sánchez de Lozada and Carlos Mesa Gisbert when Morales was leader of the opposition this time failed to accomplish their objective when Reyes Villa refused to cede to pressure and counterdemonstrations ensued. On January 24, Morales announced that the MAS delegates to the assembly charged with drafting a new constitution for Bolivia had backed away from earlier threats to pull out of the assembly altogether and now proposed a new formula by which all articles in the new constitution would be approved by a two-thirds vote (as favored by the opposition) up to July 2, after which time all articles not approved as such would be submitted to referendum (simple majority). Seen by some as a conciliatory gesture, this proposal may not satisfy the opposition. Bolivian politics remains highly polarized, with the opposition gaining some ground in January.* Peter DeShazo

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